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July 3, 2007

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, Hawaii 96813

FILED
2007 JUL -3 P 4:11
PUBLIC UTILITIES
COMMISSION

Dear Commissioners:

Subject: Docket No. 2006-0387
MECO 2007 Test Year Rate Case – June 2007 Updates

Enclosed are updates to Maui Electric Company, Limited's ("MECO") 2007 test year estimates reflected in the Application, Direct Testimonies, Exhibits and Workpapers filed with the Commission on February 23, 2007. This first set of updates to MECO T-5 (Michael Ribao), T-6 (Andrew Herrera), T-7 (Sharon Suzuki), T-10 (Julie Price) and T-12 (Lyle Matsunaga) includes incorporation of certain recorded 2006 results as well as other corrections and revisions as explained in the enclosed. The updates also refer to or include revisions that the Company previously filed in its responses to information requests from the other parties. MECO is submitting these updates in advance of other updates that will be filed shortly to provide the Consumer Advocate with additional time for review.

Very truly yours,

Dean K. Matsuura
Director, Regulatory Affairs

Enclosure

cc: Division of Consumer Advocacy
Sawvel & Associates, Inc.
Utilitech, Inc.

JUNE 2007 UPDATE

Ref: M. Ribao, MECO T-5, Production O&M and Production Materials and Supplies Inventory.

MECO Response:

Since the submission of MECO T-5, the Production Department's 2007 test year estimate for non-labor Production Operation expense, NARUC Account No. 557 has increased by \$471,558. See Attachment 1 for a detailed calculation reflecting this increase and additional support. The increase is due to cost estimates provided to the Production Department through inter-company billing (ICB) for the new HECO Power Supply Competitive Bidding Division.

In addition, MECO's 13-month average production materials inventory estimate for the 2007 test year has decreased by \$1,070,044, exclusive of the lube oil inventory. Please refer to Attachments 2 and 3 for updated MECO-508 and MECO-WP-508, respectively. The Production Department's Materials Inventory has been updated to reflect actual 2006 and 2007 (up to April) monthly inventory balances, and to make adjustments to the test year's remaining months estimates as a result of the 2006 and January-April 2007 actual inventory balances.

An updated MECO-WP-508 was also provided as part of MECO's response to CA-IR-90, part a as Attachment 1, but without the remaining months' test year estimates. The revised production materials 13-month average inventory estimate for the test year is \$7,424,835, as compared to the originally filed of \$8,494,879. The \$1.1 million decrease is due to the following: 1) Spare parts for M18, which were included as part of the 2007 forecast for MPP materials inventory but were included in the capital cost for M18 at a total cost of \$235,000, rather than in materials inventory and; 2) the 2007 test year's remaining months forecast has been revised using 2004-2006 monthly averages as a basis of our calculations.

**Intercompany Billing (ICB) - Competitive Bidding Detail Estimates
Test Year 2007**

	<u>Ct</u>	<u>FTE</u>	<u>Dir Cost</u>	<u>MECO Billable</u>
Generation Bidding-				
Labor-				
Director	1	2,088	\$97,698	\$39,079
Staff Engineers	2	2,088	\$166,497	\$66,599
Annualized	3		\$264,195	\$105,678
1/2 Year			\$132,098	\$52,839
Non-Labor- (Normalized)			\$840,500	\$413,834
*LESS: Non-Labor 2007 Budget			(\$175,000)	\$0
			\$665,500	\$413,834
Total Generation Bidding-			\$797,598	\$466,673
Fuel Infrastructure-				
Director	1	2,088	\$97,698	\$9,770
1/2 Year			\$48,849	\$4,885
PSOM Administrator	1	2,088	\$75,168	\$0
1/2 Year			\$37,584	\$0
	5		\$884,031	\$471,558

* Refer to CA-IR-2, HECO T-6, Attachment 12B, page 2.

** Standard labor rates obtained from department Pillar "UPD" files distributed on 5/11/07 (with April 2007 actuals).
Used Generation Planning labor class for Staff; currently there's none for Generation Bidding.

Maui Electric Company, Limited

PRODUCTION DEPARTMENT
MATERIALS INVENTORY AT YEAR-END¹
(Dollars)

Line		(A)	(B)	(C)	(D) (B) + (C)	(E)	(F)	(G) (D) + (E) + (F)
		<u>YEAR</u>	<u>KAHULUI POWER PLANT</u>	<u>MAALAEA POWER PLANT</u>	<u>MAUI DIVISION</u>	<u>LANAI DIVISION</u>	<u>MOLOKAI DIVISION</u>	<u>MECO CONSOLIDATED</u>
1	Recorded	2003	697,961	6,060,912	6,758,873	63,458	46,572	6,868,903
2	Recorded	2004	706,278	6,288,249	6,994,527	78,297	86,964	7,159,788
3	Recorded	2005	680,424	6,481,266	7,161,690	102,367	49,475	7,313,532
4	Recorded	2006	682,764	6,790,374	7,473,138	68,274	60,053	7,601,465
5	Forecast ²	2007	689,822	6,519,963	7,209,785	82,979	65,497	7,358,262
	Test Year							
6	Average ³	2007	696,567	6,584,365	7,280,932	86,419	57,484	7,424,835

¹ Does not include lube oil inventory

² Reflects recorded values up to April 2007; Remaining months estimates were based on historical years (2004-2006) monthly average.

³ 2007 Test Year 13-month average (Dec 2006 - Dec 2007).

Maui Electric Company, Limited

MATERIALS INVENTORY ⁽¹⁾
KAHULUI POWER PLANT
(Dollars)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u> ⁽²⁾
DECEMBER	687,813	697,961	706,278	680,424	682,764
JANUARY	672,049	705,272	699,973	690,352	676,039
FEBRUARY	672,621	710,490	692,130	691,337	682,075
MARCH	681,096	705,804	686,232	692,701	679,835
APRIL	674,229	706,769	689,837	701,464	715,607
MAY	674,905	710,513	696,377	703,423	703,438
JUNE	687,761	714,901	706,700	704,370	708,657
JULY	675,177	717,988	703,061	705,497	708,849
AUGUST	694,757	721,322	701,929	705,678	709,643
SEPTEMBER	695,593	707,477	704,002	701,920	704,466
OCTOBER	700,793	715,453	697,263	694,446	702,387
NOVEMBER	695,718	717,761	664,890	692,710	691,787
DECEMBER	697,961	706,278	680,424	682,764	689,822
13-MO. TOTAL	8,910,473	9,237,990	9,029,096	9,047,086	9,055,369
13-MO. AVERAGE ⁽³⁾	685,421	710,615	694,546	695,930	696,567

Note:

⁽¹⁾ Does not include lube oil inventory

⁽²⁾ Recorded values up to April 2007; remaining months estimates were based on historical years (2004-2006) monthly average.

⁽³⁾ 13-month average is calculated from the previous Dec. to the Dec. in the year indicated, inclusive

Maui Electric Company, Limited

MATERIALS INVENTORY ⁽¹⁾
MAALAEA POWER PLANT
(Dollars)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u> ⁽²⁾
DECEMBER	5,533,098	6,060,912	6,288,249	6,481,266	6,790,374
JANUARY	5,717,607	6,133,186	6,428,391	6,639,987	6,690,556
FEBRUARY	5,935,518	6,418,660	6,401,971	6,832,452	6,768,196
MARCH	6,124,986	6,249,345	6,500,631	6,838,832	6,675,416
APRIL	6,102,129	6,160,036	6,225,363	6,795,936	6,722,300
MAY	6,084,428	6,315,904	6,307,037	6,660,106	6,427,682
JUNE	6,292,844	6,451,462	6,500,177	6,478,913	6,476,851
JULY	6,266,165	6,315,603	6,433,627	6,583,393	6,444,208
AUGUST	6,239,688	6,366,371	6,397,665	6,670,985	6,478,340
SEPTEMBER	6,331,141	6,445,206	6,351,207	6,742,527	6,512,980
OCTOBER	6,279,898	6,467,988	6,311,006	6,769,693	6,516,229
NOVEMBER	6,296,478	6,447,152	6,495,732	6,778,070	6,573,651
DECEMBER	6,060,912	6,288,249	6,481,266	6,790,374	6,519,963
13-MO. TOTAL	79,264,892	82,120,075	83,122,323	87,062,534	85,596,747
13-MO. AVERAGE ⁽³⁾	6,097,299	6,316,929	6,394,025	6,697,118	6,584,365

Note:

⁽¹⁾ Does not include lube oil inventory

⁽²⁾ Recorded values up to April 2007; remaining months estimates were based on historical years (2004-2006) monthly average.

⁽³⁾ 13-month average is calculated from the previous Dec. to the Dec. in the year indicated, inclusive

Maui Electric Company, Limited

MATERIALS INVENTORY ⁽¹⁾
LANAI DIVISION
(Dollars)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u> ⁽²⁾
DECEMBER	62,548	63,458	78,297	102,329	68,274
JANUARY	63,503	73,839	72,478	93,333	68,261
FEBRUARY	63,503	73,845	72,478	107,339	68,332
MARCH	56,505	65,190	77,638	71,269	71,839
APRIL	56,505	67,260	79,984	72,162	77,382
MAY	64,504	92,938	80,008	112,189	95,045
JUNE	55,208	93,477	82,236	114,981	96,898
JULY	71,172	121,085	106,415	101,773	109,758
AUGUST	71,233	81,048	106,415	110,586	99,350
SEPTEMBER	71,086	80,747	67,367	112,882	86,999
OCTOBER	71,452	80,752	106,948	112,918	100,206
NOVEMBER	71,452	79,307	102,329	112,748	98,128
DECEMBER	63,458	78,297	102,367	68,274	82,979
13-MO. TOTAL	842,129	1,051,243	1,134,960	1,292,784	1,123,452
13-MO. AVERAGE ⁽³⁾	64,779	80,865	87,305	99,445	86,419

Note:

⁽¹⁾ Does not include lube oil inventory

⁽²⁾ Recorded values up to April 2007; remaining months estimates were based on historical years (2004-2006) monthly average.

⁽³⁾ 13-month average is calculated from the previous Dec. to the Dec. in the year indicated, inclusive

Maui Electric Company, Limited

MATERIALS INVENTORY ⁽¹⁾
MOLOKAI DIVISION
(Dollars)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u> ⁽²⁾
DECEMBER	48,137	46,572	86,964	49,475	60,053
JANUARY	50,117	48,608	86,108	49,143	61,641
FEBRUARY	50,096	47,833	85,511	48,997	60,805
MARCH	48,989	46,921	45,749	47,737	101,369
APRIL	48,526	50,675	47,475	48,809	40,000
MAY	48,734	49,225	47,002	48,809	48,345
JUNE	48,825	48,486	46,355	55,264	50,035
JULY	49,119	47,651	45,939	54,007	49,199
AUGUST	53,516	47,944	45,606	54,206	49,252
SEPTEMBER	52,900	47,026	47,081	54,381	49,496
OCTOBER	47,775	46,906	46,047	54,517	49,157
NOVEMBER	47,303	86,570	45,691	55,071	62,444
DECEMBER	46,572	86,964	49,475	60,053	65,497
13-MO. TOTAL	640,609	701,381	725,003	680,469	702,284
13-MO. AVERAGE ⁽³⁾	49,278	53,952	55,769	52,344	57,484

Note:

⁽¹⁾ Does not include lube oil inventory

⁽²⁾ Recorded values up to April 2007; remaining months estimates were based on historical years (2004-2006) monthly average.

⁽³⁾ 13-month average is calculated from the previous Dec. to the Dec. in the year indicated, inclusive

T&D MATERIALS AND SUPPLIES INVENTORY
TEST YEAR 2007
JUNE 2007 UPDATE

T&D Materials and Supplies Inventory

An updated MECO-618 was provided as part of MECO's response to CA-IR-111, part d as Attachment 11. In addition to reflecting actual 2006 monthly inventory balances, the updated MECO-618 was also revised to make the corrections to the test year 2007 estimates that were previously identified in Note 6 of MECO-618 as originally filed.

The revised 2007 13-month average balance is \$4,087,487 as reflected in the updated MECO-618 (Attachment 11 to CA-IR-111), which is about \$1.5 million higher than the 2005 13-month average balance of \$2,622,304. The \$1.5 million increase is due to the following: (1) an actual increase of about \$749,000 in the 13-month average balances from year 2005 to year 2006; and (2) a projected increase of about \$716,000 from the 2006 13-month average balance to the revised test year forecast for 2007.

The primary factors that caused the 2006 13-month average balance to be approximately \$749,000 higher than the 2005 13-month average balance included inventory increases due to long lead times when ordering materials, which were caused by global demand and fluctuating lead times that are not expected to change anytime in the future. The material share of the increase is due to electrical cable and termination components, which have a lead time of about four months and six months, respectively. This lead time forces MECO to order materials in

anticipation of projects before the final schedule for these projects is formalized. This results in larger inventories being held for longer periods of time. Other contributing factors are increasing prices of commodities that lead to higher production costs which are then passed on to utility buyers. *MECO-619 highlights common materials included in MECO's 1999 rate case, which show an approximately 11% annual increase in the cost of these materials for 2005 and 2006 as compared to the previous year. This 22% combined increase over two years is representative of the increasing cost of utility materials.*

The 2007 test year 13-month average balance of \$4,087,487 was based on a trend of previous years' balances and is approximately \$716,000 higher than the 2006 13-month average balance of \$3,371,694. The increase projected for 2007 is primarily due to a forecast of continuing increases in commodity prices as mentioned above, leading to corresponding higher prices for common materials used in utility construction.

JUNE 2007 UPDATE

Ref: S. Suzuki, MECO T-7, Customer Deposits, Interest on Customer Deposits.

MECO Response:

Since the submission of MECO T-7, the Company's 2007 test year estimate for customer deposits has decreased by \$202,000 (from \$3,882,000 to \$3,680,000). See Attachment A for an updated MECO-713 (page 1) and MECO-WP-713 (pages 2 to 4) reflecting this decrease and additional support. The decrease is due to the difference between the actual customer deposits as of December 31, 2006, as shown on the updated MECO-WP-713 (line 7, column B) (page 2 of Attachment A), compared to the estimate used in the direct testimony. There is a corresponding reduction in interest on customer deposits of \$12,000 (from \$233,000 to \$221,000), as shown on the updated MECO-713 (line 4, column B) (page 1 of Attachment A) because the interest is computed at 6% of the revised 2007 test year estimate for customer deposits, noted above.

MECO-713
DOCKET NO. 2006-0387
PAGE 1 OF 1

MAUI ELECTRIC COMPANY, LIMITED

2007 TEST YEAR
CUSTOMER DEPOSITS AND INTEREST ON DEPOSITS
(\$ THOUSANDS)

<u>Line</u>	<u>2007 Test Year</u>	
	<u>A</u>	<u>B</u>
	<u>Average Deposits</u>	<u>Interest</u>
1 Maui Division	3,413	205
2 Lanai Division	90	5
3 Molokai Division	<u>177</u>	<u>11</u>
4 MECO Consolidated	3,680	221

SOURCE:
MECO-WP-713

MECO-WP-713
DOCKET NO. 2006-0387
PAGE 1 OF 3

Maui Electric Company, Limited

CUSTOMER DEPOSITS ON HAND
DECEMBER 31
(\$THOUSANDS)

<u>line</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
	<u>Year</u>	<u>December 31</u>	<u>Average</u>	<u>Growth</u>	
1	2000	1,456.4	1,448.7		
2	2001	1,464.6	1,460.5	0.8%	
3	2002	1,621.8	1,543.2	5.7%	
4	2003	2,249.7	1,935.8	25.4%	
5	2004	2,756.7	2,503.2	29.3%	
6	2005	3,111.6	2,934.2	17.2%	
7	2006	3,381.7	3,246.7	10.7%	
8	Average annual growth rate			17.7%	
9	Estimate	2007	3,978.8	3,680.3	
10	Total Est. 2006 & 2007		6926.9	Divided by 2	
11	Customer Deposits				
	(simple average)		3463.5		
12	Rounded		3463.0		
13	Maui Div. Allocation		3,413.0	(2)	
14	Lanai Div. Allocation		90.0	(3)	
15	Molokai Div. Allocation		177.0	(4)	
16	MECO Total		3,680.0		

SOURCE:

CSH240, Daily Account Balances
MECO-WP-712, Page 3 for Allocations

Interest Calculation (Total \$)

17	(2)	2007 interest =	\$3,413,000	average deposits on hand		<u>Rounded</u>
		@	6%	interest =	\$204,780	interest Maui \$205,000
18	(3)	2007 interest =	\$90,000	average deposits on hand		
		@	6%	interest =	\$5,400	interest Lanai \$5,000
19	(4)	2007 interest =	\$177,000	average deposits on hand		
		@	6%	interest =	\$10,620	interest Molokai \$11,000
20						MECO \$221,000

MECO-WP-713
DOCKET NO. 2006-0387
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MAUI ELECTRIC COMPANY, LIMITED
2006 Allocation Calculations of Deposits

<u>Line</u>	<u>A</u>	<u>B</u>	<u>C</u>
<u>Average Number of Customers</u>			
1 2006 Maui Division Customer Forecast (8/06)	59,634	=	92.71%
2 2006 Lanai Division Customer Forecast (8/06)	1,581	=	2.46%
3 2006 Molokai Division Customer Forecast (8/06)	<u>3,106</u>	=	<u>4.83%</u>
4 MECO Consolidated	64,321		100.00%
 <u>Average Customer Deposits</u>			
	<u>2006</u>	<u>Allocation %</u>	<u>Allocation</u>
Maui			
5 As of 01/01/2006	\$3,111,600	x	92.71% = \$2,885,000
6 As of 12/31/2006	\$3,381,700	x	92.71% = \$3,135,000
7 Average 2006 - Maui	\$3,246,650	x	92.71% = \$3,010,000
Lanai			
8 As of 01/01/2006	\$3,111,600	x	2.46% = \$76,000
9 As of 12/31/2006	\$3,381,700	x	2.46% = \$83,000
10 Average 2006 - Lanai	\$3,246,650	x	2.46% = \$80,000
Molokai			
11 As of 01/01/2006	\$3,111,600	x	4.83% = \$150,000
12 As of 12/31/2006	\$3,381,700	x	4.83% = \$163,000
13 Average 2006 - Molokai	\$3,246,650	x	4.83% = \$157,000
8 MECO Consolidated			
As of 01/01/2006			\$3,111,000
As of 12/31/2006			\$3,381,000
Average 2006 - Consolidated			\$3,247,000

SOURCE:

Average Number of Customers: MECO-205

MECO-WP-713
DOCKET NO. 2006-0387
PAGE 3 OF 3

MAUI ELECTRIC COMPANY, LIMITED
2007 Allocation Calculations of Deposits

<u>Line</u>	<u>A</u>	<u>B</u>	<u>C</u>
<u>Average Number of Customers</u>			
1 2007 Maui Division Customer Forecast (8/06)	60,694	=	92.75%
2 2007 Lanai Division Customer Forecast (8/06)	1,606	=	2.45%
3 2007 Molokai Division Customer Forecast (8/06)	<u>3,141</u>	=	<u>4.80%</u>
4 MECO Consolidated	65,441		100.00%
 <u>Average Customer Deposits</u>			
	<u>2007</u>	<u>Allocation %</u>	<u>Allocation</u>
Maui			
5 As of 01/01/2007	\$3,381,700	x	92.75% = \$3,136,000
6 As of 12/31/2007	\$3,978,800	x	92.75% = \$3,690,000
7 Average 2007 - Maui	\$3,680,250	x	92.75% = \$3,413,000
Lanai			
8 As of 01/01/2007	\$3,381,700	x	2.45% = \$83,000
9 As of 12/31/2007	\$3,978,800	x	2.45% = \$98,000
10 Average 2007 - Lanai	\$3,680,250	x	2.45% = \$90,000
Molokai			
11 As of 01/01/2007	\$3,381,700	x	4.80% = \$162,000
12 As of 12/31/2007	\$3,978,800	x	4.80% = \$191,000
13 Average 2007 - Molokai	\$3,680,250	x	4.80% = \$177,000
8 MECO Consolidated			
As of 01/01/2007			\$3,381,000
As of 12/31/2007			\$3,979,000
Average 2007 - Consolidated			\$3,680,000

SOURCE:

Average Number of Customers: MECO-205

A&G EXPENSES - EMPLOYEE BENEFITS
TEST YEAR 2007
JUNE 2007 UPDATE

MECO's updated estimate of employee benefit expenses included in Account No. 926000 for the 2007 test year is summarized in Exhibit 1, and detailed in Exhibits 2 and 3. The June Update (column e) amounts on page 1 of Exhibit 1, except for the \$(3,300) on line 10, represent the difference between MECO's revised test year estimates (column f) and original test year estimates (column d), as opposed to representing specific, itemized adjustments. The calculations/explanation of the revised test year (column f) amounts are described below.

- Qualified Pension Plan and Other Postretirement Benefits estimates (see lines 1 and 3 on page 1 of Exhibit 1) were updated to reflect the final 2007 expenses provided by Watson Wyatt Worldwide (see Exhibit 2).

The updated 2007 Pension Plan expense estimate is as follows:

Net periodic pension cost	\$4,013,438 (see Exb. 2, page 1)
Amortization of prepaid pension asset	\$ 241,886 (see MECO T-9 06/07 Update)
Total updated expense	<u>\$4,255,324</u>

The updated 2007 Other Postretirement Benefits expense estimate is as follows:

Net periodic postretirement benefit cost	\$1,021,747 (see Exb. 2, page 2)
Amortization of regulatory asset	\$ 224,000 (see MECO T-10, page 18)
Electric discount for retirees	\$ (58,500) (see MECO T-10, pages 16-17)
Adjustment to delete life insurance for senior management	\$ (94,382) (see Exb. 2, page 2)
Total updated expense	<u>\$1,092,865</u>

- Calculations of the Updated test year 2007 estimates for long term disability benefits, flex plan credits less prices, and group medical, dental, vision and life insurance plan

premiums (see lines 4 through 9 on page 1 of Exhibit 1) are shown on Updated direct testimony exhibits included herein in Exhibit 3, as follows:

MECO-1006 Long Term Disability (see page 1 of Exhibit 3)

MECO-1008 Flex Plan & Premium Expense (see page 2 of Exhibit 3)

MECO-1010 Group Medical Expense (see page 3 of Exhibit 3)

MECO -1011 Group Dental Expense (see page 4 of Exhibit 3)

MECO-1012 Group Vision Expense (see page 5 of Exhibit 3)

MECO-1014 Group Life Insurance Premiums (see pages 6-11 of Exhibit 3)

- With respect to the Updated test year 2007 estimate for Other Benefits/Administration (see line 10 on page 1 of Exhibit 1), the \$(3,300) adjustment under column e represents the deletion of the amortization of deferred software development costs for the HR Suites project, which as been delayed and now has an estimated completion date beyond 2007.
- With respect to the Updated test year 2007 estimate for Account No. 926020 Employee Benefits Transfer (see line 17 on page 1 of Exhibit 1), the revised estimate of \$(2,042,000) is discussed by Mr. Lyle Matsunaga in the June 2007 Update for MECO T-9, Administrative and General Expenses.

MAUI ELECTRIC COMPANY, LTD.
ADMINISTRATIVE AND GENERAL EXPENSES - Employee Benefits
(\$100s)

Line	Account Description	(a) Budget 2007	(b) Adj	(c) Normali- zation	(d) TY Est. 2007	(e) June Update	(f) Revised TY Est. 2007
	926000 Employee Pensions and Benefits						
1	Qualified Pension Plan	3,850.0	-46.0 ¹		3,804.0	451.3 a	4,255.3
2	Non-Qualified Pension Plans	1.0	-1.0 ²		0.0	0.0	0.0
3	Other Postretirement Benefits	1,381.5	-97.0 ^{1 2}		1,284.5	-191.6 a	1,092.9
4	Long-Term Disability Benefits	122.7			122.7	3.6 b	126.3
5	Flex Credits Less Prices	-342.7			-342.7	57.6 b	-285.1
6	Group Medical Plan	1,942.1			1,942.1	-35.3 b	1,906.8
7	Group Dental Plan	286.0			286.0	-6.1 b	279.9
8	Group Vision Plan	45.2			45.2	-0.9 b	44.3
9	Group Life Insurance Plan	280.7			280.7	-42.3 b	238.4
10	Other Benefits/Administration	339.1	97.4 ^{1 2}	-18.7 ³	417.8	-3.3 c	414.5
11	Subtotals: Non-Labor	7,905.6	-46.6	-18.7	7,840.3	233.0	8,073.3
12	Labor	80.1			80.1	0.0	80.1
13	Total 926000	7,985.7	-46.6	-18.7	7,920.4	233.0	8,153.4
	926010 Employee Benefits Flex Credits						
14	Subtotals: Non-Labor	0.0	0.0	0.0	0.0	0.0	0.0
15	Labor	0.0	0.0	0.0	0.0	0.0	0.0
16	Total 926010	0.0	0.0	0.0	0.0	0.0	0.0
17	926020 Employee Benefits Transfer	-2,237.4	113.9		-2,123.5	81.5	-2,042.0
18	Grand Total Charged to O&M	5,748.3	67.3	-18.7	5,796.9	314.5	6,111.4

¹ Updated estimates:

Line 1: -\$46.0 Qualified pension

Line 3: -\$ 1.0 Other postretirement benefits

Line 10: \$ 3.3 HR Suite amortization

\$55.0 Premium for participants not in FlexPlan

² Deleted to reduce number of issues:

Line 2: -\$ 1.0 Non-qualified pension

Line 3: -\$96.0 Executive life insurance

Line 10: \$44.3 Executive life insurance

-\$ 5.2 401(k) administration

³ Normalized consulting costs for negotiations

Col e:

a Update to reflect actual 2007 expense

b Update to reflect 1/1/2007 enrollment and updated premium rate for life insurance

c Update to delete HR Suite amortization

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Line	Account Description	(g) TY Est. 2007	(h) Lanai	(i) Molokai	(j) Maui
	926000 Employee Pensions and Benefits				
1	Qualified Pension Plan	4,255.3	113.6	176.6	3,965.1
2	Non-Qualified Pension Plans	0.0	0.0	0.0	0.0
3	Other Postretirement Benefits	1,092.9	29.2	45.4	1,018.4
4	Long-Term Disability Benefits	126.3	3.4	5.2	117.7
5	Flex Credits Less Prices	-285.1	-7.6	-11.8	-265.7
6	Group Medical Plan	1,906.8	50.9	79.1	1,776.8
7	Group Dental Plan	279.9	7.5	11.6	260.8
8	Group Vision Plan	44.3	1.2	1.8	41.3
9	Group Life Insurance Plan	238.4	6.4	9.9	222.1
10	Other Benefits/Administration	414.5	11.1	17.2	386.2
11	Subtotals: Non-Labor	8,073.3	215.5	335.0	7,522.8
12	Labor	80.1	2.2	3.4	74.5
13	Total 926000	<u>8,153.4</u>	<u>217.7</u>	<u>338.4</u>	<u>7,597.3</u>
	926010 Employee Benefits Flex Credits				
14	Subtotals: Non-Labor	0.0	0	0	0
15	Labor	0.0	0	0	0
16	Total 926010	<u>0.0</u>	<u>0</u>	<u>0</u>	<u>0</u>
17	926020 Employee Benefits Transfer	<u>-2,042.0</u>	<u>-56.9</u>	<u>-88.6</u>	<u>-1,896.5</u>
18	Grand Total Charged to O&M	<u>6,111.4</u>	<u>160.8</u>	<u>249.8</u>	<u>5,700.8</u>

Comparison to Projections: Retirement Plans – Net Periodic Benefit Cost

Exhibit 1B

	2007 Actual (1)	2007 Projected from 2006 (2)
<u>Qualified Plans</u>		
MECO	4,013,438	3,850,000
INFORMATION ON OTHER COMPANIES DELETED		

Discount rate: 6.00%
 Long term asset return rate: 8.5%
 Salary scale: graded

New actuarial assumptions used for 2007

HEIRP: mortality, retirement rates and salary increase

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Retiree Medical Plans: 2007 OPEB Postretirement Benefit Cost under SFAS 106

Exhibit 3C

	<u>BU VEBA</u> (1)	<u>NBU VEBA</u> (2)	<u>401(h)</u> (3)	<u>Elec Disc</u> (4)	<u>Exec Life</u> (5)	<u>Total</u> (6)
MECO	306,400	376,973	76,919	167,073	94,382	1,021,747
INFORMATION ON OTHER COMPANIES DELETED						

Trend Rates:

Medical: 10.0 --> 5.0%
Dental: 5.0%
Vision: 4.0%

Discount Rate 6.00%

Long term asset return rate:

BU VEBA, 401(h) Account: 8.50%
NBU VEBA 4.75%
Elec Disc Trust 5.25%

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Maul Electric Company, Ltd.
CALCULATION OF LONG TERM DISABILITY
2007

			MERIT	BU	TOTAL
Average Monthly Salary for	January	2007	Enrollment		
			\$6,412	\$5,224	
Merit Salary: Jan- Apr; BU Wages: Jan - Oct			x 4	x 10	
			\$25,648	\$52,240	
			\$6,412	\$5,224	
Salary/Wage Adjustment: Merit-5/1/07; BU-11/1/07			x 1.0350	x 1.0350	
			\$6,636	\$5,407	
Merit Salary: May-Dec; BU Wages: Nov-Dec			x 8	x 2	
			\$53,088	\$10,814	
Projected Annual Compensation			\$78,736	\$63,054	
Projected No. of Merit and BU Employees			x 114	x 221	
Projected Annual Covered Compensation for	2007		\$8,975,904	\$13,934,934	
2007	Premium rate per \$100 Compensation	BU \$0.37			
		MERIT \$0.48	x \$0.0048	x \$0.0037	
			\$43,084	\$51,559	\$94,643
				ASA admin fee plus banking fees	+ \$0
				Annual Premium + Admin fees	\$94,643
Plus Claims (incurred as of	04/30/07	& annualized)			+ \$31,668
	2007	Forecast			\$126,311
				780 PHE NE NPFZZZZZ 509	\$126,311
No. of Merit Employees		34.11%			
No. of BU Employees		65.89%			

Maui Electric Company, Ltd.
Projected FlexPlan & Premium Expense
2007

CREDITS		PRICES	Enrollment as of Jan-07	Emp No.	Amount	CR - PR
Basic	\$543,022					
Life	\$90,229					
Total Credits	\$633,251					
778 PHE NE NPFZZZZ 900						
PPP		Single	8.0%	26.8	\$43,532	
		S. Parent	2.7%	9.0	\$15,658	
		Couple	7.7%	25.8	\$49,821	
		Family	21.7%	72.7	\$150,908	
HPH Plus		Single	3.3%	11.1	\$18,030	
		S. Parent	1.0%	3.4	\$5,915	
		Couple	5.0%	16.8	\$32,441	
		Family	13.0%	43.6	\$90,503	
SUBTOTAL HMSA					\$406,808	
Kaiser		Single	10.4%	34.8	\$56,526	
		S. Parent	2.0%	6.7	\$11,656	
		Couple	8.7%	29.1	\$56,193	
		Family	12.0%	40.2	\$83,446	
					\$207,821	
Vision		Single	21.7%	72.7	\$4,798	
		Couple	21.4%	71.7	\$5,162	
		Family	52.5%	175.9	\$12,665	
					\$22,625	\$637,254
778 PHE NE NPFZZZZ 900						
Major Care		Single	20.1%	67.3	\$6,638	
		Couple	23.7%	79.4	\$9,680	
		Family	54.2%	181.6	\$26,368	
SUBTOTAL DENTAL					\$42,686	
778 PHE NE NPFZZZZ 900						
Basic Life					\$82,020	
Supplemental Life					\$103,200	
SUBTOTAL LIFE INSURANCE					\$185,220	
778 PHE NE NPFZZZZ 900						
Dependent Life					\$14,995	
778 PHE NE NPFZZZZ 900						
AD&D					\$38,180	
778 PHE NE NPFZZZZ 900						
Total Prices					\$918,335	

Total Credits - Prices (\$285,084)

Maui Electric Company, Ltd.
Calculation of Medical Expense
2007

PLAN	COVERAGE	1 % OF PARTICIPATION 1/1/2007	2 PROJECTED PARTICIPATION 2007	3 2007 MONTHLY PREMIUM RATES	4 MONTHLY PREMIUM FOR 2007 PARTICIPATION (2 x 3)	5 2007 ANNUAL PREMIUM
PPP (HMSA)	Single	8.0%	26.8	\$210.41	\$5,639	\$67,668
	S. Parent	2.7%	9.0	\$422.22	\$3,800	\$45,600
	Couple	7.7%	25.8	\$508.10	\$13,109	\$157,308
	Family	21.7%	72.7	\$548.71	\$39,891	\$478,692
					<u>\$62,439</u>	<u>\$749,268</u>
HPH Plus (HMSA)	Single	3.3%	11.1	\$249.77	\$2,772	\$33,264
	S. Parent	1.0%	3.4	\$482.46	\$1,640	\$19,680
	Couple	5.0%	16.8	\$580.58	\$9,754	\$117,048
	Family	13.0%	43.6	\$631.55	\$27,536	\$330,432
					<u>\$41,702</u>	<u>\$500,424</u>
Kaiser	Single	10.4%	34.8	\$253.31	\$8,815	\$105,780
	S. Parent	2.0%	6.7	\$486.35	\$3,259	\$39,108
	Couple	8.7%	29.1	\$585.15	\$17,028	\$204,336
	Family	12.0%	40.2	\$638.34	\$25,661	\$307,932
					<u>\$54,763</u>	<u>\$657,156</u>
Waive		4.5%	15.0			
		100.0%	335		\$158,904	\$1,906,848

778 PHE NE NPFZZZZZ 509

TOTAL HMSA \$1,249,692

778 PHE NE NPFZZZZZ 509

TOTAL Kaiser \$657,156

Maui Electric Company, Ltd.
Calculation of Dental Expense
2007

PLAN	COVERAGE	1	2	3	4	5
		% OF PARTICIPATION 1/1/2007	PROJECTED PARTICIPATION 2007	2007 MONTHLY PREMIUM RATES	MONTHLY PREMIUM FOR 2007 PARTICIPATION (2 x 3)	2007 PROJECTED ANNUAL PREMIUM
Major Care (HDS)	Single	20.1%	67.3	\$31.29	\$2,106	\$25,272
	2 Party	23.7%	79.4	\$62.56	\$4,967	\$59,604
	Family	54.2%	181.6	\$89.52	\$16,257	\$195,084
					<hr/> \$23,330	<hr/> \$279,960
					\$46,660	
Waive		2.0%	6.7			
		<hr/> 100.0%	<hr/> 335		<hr/> \$46,660	<hr/> \$279,960

778 PHE NE NPFZZZZZ 509

TOTAL

\$279,960

Maui Electric Company, Ltd.
Calculation of Vision Expense
2007

PLAN	COVERAGE	1	2	3	4	5
		% OF PARTICIPATION 1/1/2007	PROJECTED PARTICIPATION 2007	2007 MONTHLY PREMIUM RATES	MONTHLY PREMIUM FOR 2007 PARTICIPATION (2 x 3)	2007 PROJECTED ANNUAL PREMIUM
VISION (VSP)	Single	21.7%	72.7	\$5.08	\$369	\$4,428
	Couple	21.4%	71.7	\$10.15	\$728	\$8,736
	Family	52.5%	175.9	\$14.73	\$2,591	\$31,092
Waive		4.4%	14.7			
		100.0%	335		\$3,688	\$44,256

778 PHE NE NPFZZZZZ 509

TOTAL

\$44,256

Maul Electric Company, Ltd.
Summary of Group Life Insurance Premiums - Basic Coverage
2007

Basic Coverage

Merit = 2 x annual comp
Exec = 2 x annual comp
BU = 1-1/2 x annual comp

	a	b	c	d	e	f	g	h
	Coverage	Basic Coverage	2007 Average Annual Compensation	% of Participation 1/1/2007	2007 Projected Participation	2007 Basic Coverage Amount (b x c x e)	Monthly Premium (\$.20/1000 x f)	2007 Annual Premium (g x 12)
Basic Life								
BU	1/2 x annual comp	0.5	\$63,343	3.34%	11.2	\$354,721	\$71	\$852
	1-1/2 x annual comp	1.5	\$63,343	5.69%	19.1	\$1,814,777	\$363	\$4,356
	2-1/2 x annual comp	1.5	\$63,343	7.69%	25.8	\$2,451,374	\$490	\$5,880
	3-1/5 x annual comp	1.5	\$63,343	46.82%	156.8	\$14,898,274	\$2,980	\$35,760
	\$50,000	\$50,000		2.34%	7.8	\$390,000	\$78	\$936
					221	\$19,909,146	\$3,982	\$47,784
EXEC	Waive	0	\$121,114	0.67%	2.2	\$0	\$0	\$0
	1-1/2 x annual comp	1.5	\$121,114	0.00%	0.0	\$0	\$0	\$0
	2-1/2 x annual comp	2	\$121,114	0.67%	2.2	\$532,902	\$107	\$1,284
	3-1/5 x annual comp	2	\$121,114	0.33%	1.1	\$266,451	\$53	\$636
	\$50,000	\$50,000		0.67%	2.2	\$110,000	\$22	\$264
	Max Benefit	\$750,000		0.00%	0.0	\$0	\$0	\$0
					8	\$909,353	\$182	\$2,184
MERIT	1/2 x annual comp	0.5	\$71,500	2.01%	6.7	\$239,525	\$48	\$576
	1-1/2 x annual comp	1.5	\$71,500	6.02%	20.2	\$2,166,450	\$433	\$5,196
	2-1/2 x annual comp	2	\$71,500	4.01%	13.4	\$1,916,200	\$383	\$4,596
	3-1/5 x annual comp	2	\$71,500	18.39%	61.6	\$8,808,800	\$1,762	\$21,144
	\$50,000	\$50,000		1.34%	4.5	\$225,000	\$45	\$540
					106	\$13,355,975	\$2,671	\$32,052
2007 Projected Basic Group Life Premiums					335	\$34,174,474	\$6,835	\$82,020

Basic Life Premiums	\$82,020
Supplemental Life Premiums	\$103,200
Dependent Life Premiums	\$14,995
Accidental Death Premiums	\$38,180
778 PHE NE NPFZZZZZ 509	\$238,395

Maui Electric Company, Ltd.
Calculation of Group Life Insurance - Supplemental Coverage Premiums
2007

Total Coverage = 2-1/2 x annual comp

	Basic Coverage	Supplemental Coverage*
Merit	2 x annual comp	1/2 x annual comp
Exec	2 x annual comp	1/2 x annual comp
BU	1-1/2 x annual comp	1 x annual comp

a		b	c	d	e	f	g	h
Supplemental Coverage*	Age	Monthly Rate Per \$1000	2007 Average Annual Compensation	% of Participation 1/1/2007	2007 Projected Participation	2007 Supplemental Coverage Amount (a x c x d)	Monthly Premium (b/\$1000 x f)	2007 Annual Premium (g x 12)
1/2 x annual comp								
MERIT	0-29	0.064	\$71,500	0.33%	1.1	\$39,325	\$3	\$36
	30-34	0.072	\$71,500	0.67%	2.2	\$78,650	\$6	\$72
	35-39	0.119	\$71,500	0.33%	1.1	\$39,325	\$5	\$60
	40-44	0.159	\$71,500	0.00%	0.0	\$0	\$0	\$0
	45-49	0.230	\$71,500	1.34%	4.5	\$160,875	\$37	\$444
	50-54	0.404	\$71,500	0.33%	1.1	\$39,325	\$16	\$192
	55-59	0.651	\$71,500	0.67%	2.2	\$78,650	\$51	\$612
	60-64	1.100	\$71,500	0.33%	1.1	\$39,325	\$43	\$516
65+	2.062	\$71,500	0.00%	0.0	\$0	\$0	\$0	
					13.3	\$475,475	\$161	\$1,932
EXEC	0-29	0.064	\$121,114	0.00%	0.0	\$0	\$0	\$0
	30-34	0.072	\$121,114	0.00%	0.0	\$0	\$0	\$0
	35-39	0.119	\$121,114	0.00%	0.0	\$0	\$0	\$0
	40-44	0.159	\$121,114	0.00%	0.0	\$0	\$0	\$0
	45-49	0.230	\$121,114	0.00%	0.0	\$0	\$0	\$0
	50-54	0.404	\$121,114	0.67%	2.2	\$133,225	\$54	\$648
	55-59	0.651	\$121,114	0.00%	0.0	\$0	\$0	\$0
	60-64	1.100	\$121,114	0.00%	0.0	\$0	\$0	\$0
65+	2.062	\$121,114	0.00%	0.0	\$0	\$0	\$0	
					2.2	\$133,225	\$54	\$648
1 x annual comp								
BU	0-29	0.064	\$63,343	0.00%	0.0	\$0	\$0	\$0
	30-34	0.072	\$63,343	1.00%	3.4	\$215,366	\$16	\$192
	35-39	0.119	\$63,343	1.34%	4.5	\$285,044	\$34	\$408
	40-44	0.159	\$63,343	0.67%	2.2	\$139,355	\$22	\$264
	45-49	0.230	\$63,343	1.67%	5.6	\$354,721	\$82	\$984
	50-54	0.404	\$63,343	0.67%	2.2	\$139,355	\$56	\$672
	55-59	0.651	\$63,343	1.34%	4.5	\$285,044	\$186	\$2,232
	60-64	1.100	\$63,343	1.00%	3.4	\$215,366	\$237	\$2,844
65+	2.062	\$63,343	0.00%	0.0	\$0	\$0	\$0	
					25.8	\$1,634,251	\$633	\$7,596
Total Supplemental Premium for 2-1/2 x annual comp coverage					41	\$2,242,951	\$848	\$10,176

Maui Electric Company, Ltd.
Calculation of Group Life Insurance - Supplemental Coverage Premiums
2007

Total Coverage = 3-1/2 x annual comp

	Basic Coverage	Supplemental Coverage*
Merit	2 x annual comp	1-1/2 x annual comp
Exec	2 x annual comp	1-1/2 x annual comp
BU	1-1/2 x annual comp	2 x annual comp

a	b	c	d	e	f	g	h	
Supplemental Coverage*	Age	Monthly Rate Per \$1000	Average Annual Compensation	% of Participation 1/1/2007	2007 Projected Participation	2007 Supplemental Coverage Amount (a x c x d)	Monthly Premium (b/\$1000 x f)	2007 Annual Premium (g x 12)
1-1/2 x annual comp								
MERIT	0-29	0.064	\$71,500	0.33%	1	\$107,250	\$7	\$84
	30-34	0.072	\$71,500	1.00%	3	\$321,750	\$23	\$276
	35-39	0.119	\$71,500	1.34%	4	\$429,000	\$51	\$612
	40-44	0.159	\$71,500	5.35%	18	\$1,930,500	\$307	\$3,684
	45-49	0.230	\$71,500	3.68%	12	\$1,287,000	\$296	\$3,552
	50-54	0.404	\$71,500	3.01%	10	\$1,072,500	\$433	\$5,196
	55-59	0.651	\$71,500	2.34%	8	\$858,000	\$559	\$6,708
	60-64	1.100	\$71,500	1.00%	3	\$321,750	\$354	\$4,248
	65+	2.062	\$71,500	0.33%	1	\$107,250	\$221	\$2,652
					60	\$6,435,000	\$2,251	\$27,012
EXEC	0-29	0.064	\$121,114	0.00%	0	\$0	\$0	\$0
	30-34	0.072	\$121,114	0.00%	0	\$0	\$0	\$0
	35-39	0.119	\$121,114	0.00%	0	\$0	\$0	\$0
	40-44	0.159	\$121,114	0.00%	0	\$0	\$0	\$0
	45-49	0.230	\$121,114	0.00%	0	\$0	\$0	\$0
	50-54	0.404	\$121,114	0.33%	1	\$181,671	\$73	\$876
	55-59	0.651	\$121,114	0.00%	0	\$0	\$0	\$0
	60-64	1.100	\$121,114	0.00%	0	\$0	\$0	\$0
	65+	2.062	\$121,114	0.00%	0	\$0	\$0	\$0
					1	\$181,671	\$73	\$876
2 x annual comp								
BU	0-29	0.064	\$63,343	1.00%	3	\$380,058	\$24	\$288
	30-34	0.072	\$63,343	3.34%	11	\$1,393,546	\$100	\$1,200
	35-39	0.119	\$63,343	9.36%	31	\$3,927,266	\$467	\$5,604
	40-44	0.159	\$63,343	8.03%	27	\$3,420,522	\$544	\$6,528
	45-49	0.230	\$63,343	10.37%	35	\$4,434,010	\$1,020	\$12,240
	50-54	0.404	\$63,343	9.03%	30	\$3,800,580	\$1,535	\$18,420
	55-59	0.651	\$63,343	4.68%	16	\$2,026,976	\$1,320	\$15,840
	60-64	1.100	\$63,343	1.00%	3	\$380,058	\$418	\$5,016
	65+	2.062	\$63,343	0.00%	0	\$0	\$0	\$0
					156	\$19,763,016	\$5,428	\$65,136
Total Supplemental Premium for 3-1/2 x annual comp coverage					217	\$26,379,687	\$7,752	\$93,024
BU					182	\$21,397,267	\$6,061	\$72,732
MERIT					73	\$6,910,475	\$2,412	\$28,944
EXEC					3	\$314,896	\$127	\$1,524
Total Supplemental Premium for 2-1/2 & 3-1/2 times annual comp coverage					258	\$28,622,638	\$8,600	\$103,200

Maui Electric Company, Ltd.
Calculation of Group Life Insurance - Supplemental
for \$50,000 Coverage*
2007

	a	b	c	d	e	f	g
	Monthly	2007	% of	2007	2007	Monthly	2007
Age	Rate	Average	Participation	Projected	Supplemental	Premium	Annual
	Per \$1000	Supplemental	1/1/2007	Participation	Coverage	(a/\$1000 x e)	Premium
		Coverage			Amount		(f x 12)
					(b x c)		
BU	0-29	0.064	\$0	0.00%	0.0	\$0	\$0
	30-34	0.072	\$0	0.00%	0.0	\$0	\$0
	35-39	0.119	\$0	0.00%	0.0	\$0	\$0
	40-44	0.159	\$0	0.00%	0.0	\$0	\$0
	45-49	0.230	\$0	0.00%	0.0	\$0	\$0
	50-54	0.404	\$0	0.00%	0.0	\$0	\$0
	55-59	0.651	\$0	0.00%	0.0	\$0	\$0
	60-64	1.100	\$0	0.00%	0.0	\$0	\$0
	65+	2.062	\$0	0.00%	0.0	\$0	\$0
				0.0	\$0	\$0	\$0
MERIT	0-29	0.064	\$0	0.00%	0.0	\$0	\$0
	30-34	0.072	\$0	0.00%	0.0	\$0	\$0
	35-39	0.119	\$0	0.00%	0.0	\$0	\$0
	40-44	0.159	\$0	0.00%	0.0	\$0	\$0
	45-49	0.230	\$0	0.00%	0.0	\$0	\$0
	50-54	0.404	\$0	0.00%	0.0	\$0	\$0
	55-59	0.651	\$0	0.00%	0.0	\$0	\$0
	60-64	1.100	\$0	0.00%	0.0	\$0	\$0
	65+	2.062	\$0	0.00%	0.0	\$0	\$0
				0.0	\$0	\$0	\$0
Total Supplement Premium for \$50,000 coverage				0	\$0	\$0	\$0

* Employees who elect \$50,000 coverage with a portion subject to supplemental rates

Maui Electric Company, Ltd.
Calculation of Dependent Life Insurance
2007

Plan	Participation as of Jan-07	No. of Emp Enrolled	Annual Rate	TOTAL
10K	7.70%	26	\$26.76	\$696
25K	60.50%	203	\$70.44	<u>\$14,299</u>
				\$14,995

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\$14,995

Maui Electric Company, Ltd.
Calculation of Accidental Death & Dismemberment
2007

	MERIT	BU	TOTAL
Average Single Coverage	\$208,150	\$176,365	
Salary/Wage Adjustment	x 1.0000	x 1.0000	
	\$208,150	\$176,365	
Projected No. of Merit and BU Employees ¹	x 114	x 221	
	\$23,729,100	\$38,976,665	
Average Merit plus BU Single Coverage			\$187,181
Participation			93
Annual Single Rate			x 0.00042
Single Coverage Premium			\$7,311
Average Family Coverage	\$234,100	\$205,605	
Salary/Wage Adjustment	x 1.0000	x 1.0000	
	\$234,100	\$205,605	
Projected No. of Merit and BU Employees ¹	x 114	x 221	
	\$26,687,400	\$45,438,705	
Average Merit plus BU Family Coverage			\$215,302
Participation			x 208
Annual Family Rate			x 0.000696
Family Coverage Premium			\$30,869
			TOTAL \$38,180

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Note:

¹ No. of Merit Employees	34.11%
No. of BU Employees	65.89%

DEPRECIATION EXPENSE AND ACCUMULATED DEPRECIATION
TEST YEAR 2007
JUNE 2007 UPDATE

Depreciation Expense

The test year 2007 estimate for depreciation expense was updated as of June 2007. The updated total depreciation expense for test year 2007 is \$28,011,000, comprised of \$25,619,000 for Maui, \$1,264,000 for Lanai, and \$1,128,000 for Molokai. The \$28,011,000 updated estimate for total MECO is \$859,000 lower than the \$28,872,000 test year estimate filed with MECO's direct testimony. The \$859,000 decrease is the result of adjustments which are shown on the attached updated MECO-1201 and which are summarized as follows:

- Decrease resulting from revised depreciation accrual test year estimate based on recorded plant balances as of January 1, 2007: \$(808,000). Summary results are shown on the attached updated MECO-1201. Updated calculations are shown on the attached updated MECO-WP-1201 and MECO-WP-1203.
- Decrease resulting from revised vehicle depreciation adjustment test year estimate based on recorded plant balances as of January 1, 2007: \$(32,000). Summary results are shown on the attached updated MECO-1201. Updated calculations are shown on the attached updated MECO-WP-1201 and MECO-WP-1203.
- Decrease resulting from revised credit CIAC amortization test year estimate based on recorded CIAC balances as of January 1, 2007: \$(30,000). Summary results are shown on the attached updated MECO-1201. Updated calculations are shown on the attached updated MECO-WP-1204.

- Increase resulting from update to amortization of net regulatory assets and liabilities related to Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes: \$11,000.

The adjustments identified above are reflected in the following updated exhibits and workpapers:

- MECO-1201 Depreciation expenses
- MECO-WP-1201 Estimated book depreciation
- MECO-WP-1203 Estimated utility plant in service
- MECO-WP-1204 Amortization of CIAC

Accumulated Depreciation

The test year 2007 estimate for accumulated depreciation, which is deducted in the calculation of rate base, was updated as of June 2007. As shown in the updated attached MECO-1202, the updated estimate for the average amount of accumulated depreciation for test year 2007 is \$354,459,000, comprised of \$323,775,000 for Maui, \$14,295,000 for Lanai and \$16,389,000 for Molokai. The updated estimate of \$354,459,000 for total MECO is \$106,000 higher than the \$354,353,000 estimate included in MECO's direct testimony. The increase is due to revisions to the beginning of year and estimated end of year balances as described in further detail below.

The beginning of year test year balance for accumulated depreciation was updated for recorded data as of December 31, 2006. Actual accumulated depreciation as of December 31, 2006 was \$340,277,000 for total MECO, which was comprised of \$310,851,000 for Maui, \$13,643,000 for Lanai, and \$15,783,000 for Molokai. The \$340,277,000 actual balance as of December 31, 2006 was \$615,000 higher than the estimated balance of \$339,662,000 included in MECO's direct testimony due to the following:

- Lower recorded 2006 property retirements \$480,000
- Lower recorded 2006 cost of removal \$118,000
- Higher recorded 2006 salvage \$19,000

The estimated end of year test year balance for accumulated depreciation was updated for revisions to the beginning of year test year balance, the test year 2007 estimated depreciation accrual described in the Depreciation Expense section above and summarized in the attached updated MECO-1201, test year 2007 estimated property retirements and test year 2007 estimated salvage value. Please see the attached updated MECO-WP-1205 for revised test year 2007 estimates for property retirements and salvage value. The revised end of year test year balance for accumulated depreciation as of December 31, 2007 is \$368,641,000 for total MECO, which is comprised of \$336,698,000 for Maui, \$14,947,000 for Lanai, and \$16,995,000 for Molokai. The \$368,641,000 revised estimate for December 31, 2007 is \$404,000 lower than the estimated balance of \$369,045,000 included in MECO's direct testimony due to the following:

- Lower estimated 2007 depreciation accrual \$(809,000)
- Higher estimated 2007 property retirements \$(246,000)
- Higher estimated 2007 salvage value \$35,000
- Higher beginning of year balance \$616,000

Maui Electric Company, Limited
Depreciation Expense
For Years 2001-2007

(In Thousands)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Test Yr Est 2007	June 2007 Adjustment	Revised 2007
MAUI									
1 Depreciation Accrual (*)	20,793	21,715	22,702	24,158	24,836	25,606	29,167	(908)	28,259
2 Vehicle Depreciation (*)	(412)	(450)	(550)	(619)	(585)	(637)	(613)	(32)	(646)
3 Amort of CIAC (**)	(1,143)	(1,214)	(1,230)	(1,527)	(1,614)	(1,863)	(2,178)	(34)	(2,212)
4 Amort of Federal ITC (***)	(260)	(260)	(256)	(248)	(244)	(222)	(212)	-	(212)
5 Net Reg Asset/Liab Amort (****)	5	36	31	59	67	266	434	(4)	430
6 Net Depreciation Expense	18,982	19,827	20,697	21,824	22,460	23,150	26,597	(978)	25,619
LANAI									
7 Depreciation Accrual (*)	1,174	1,188	1,206	1,243	1,283	1,343	1,344	15	1,359
8 Vehicle Depreciation (*)	(16)	(10)	(27)	(34)	(30)	(34)	(34)	-	(34)
9 Amort of CIAC (**)	(37)	(42)	(42)	(65)	(70)	(85)	(88)	-	(88)
10 Amort of Federal ITC (***)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	-	(2)
11 Net Reg Asset/Liab Amort (****)	8	9	9	10	10	20	23	6	29
12 Net Depreciation Expense	1,128	1,143	1,144	1,152	1,191	1,242	1,244	21	1,264
MOLOKAI									
13 Depreciation Accrual (*)	1,404	1,450	1,450	1,434	1,454	1,436	1,208	85	1,292
14 Vehicle Depreciation (*)	(75)	(112)	(99)	(74)	(52)	(87)	(56)	-	(56)
15 Amort of CIAC (**)	(63)	(64)	(65)	(66)	(67)	(129)	(149)	4	(145)
16 Amort of Federal ITC (***)	-	-	-	-	-	-	-	-	-
17 Net Reg Asset/Liab Amort (****)	11	13	13	14	15	27	28	9	37
18 Net Depreciation Expense	1,277	1,288	1,299	1,308	1,349	1,247	1,031	98	1,128
TOTAL MECO									
19 Depreciation Accrual (*)	23,371	24,353	25,357	26,835	27,572	28,385	31,719	(808)	30,910
20 Vehicle Depreciation (*)	(503)	(571)	(675)	(727)	(667)	(758)	(703)	(32)	(736)
21 Amort of CIAC (**)	(1,243)	(1,321)	(1,337)	(1,658)	(1,752)	(2,077)	(2,415)	(30)	(2,445)
22 Amort of Federal ITC (***)	(262)	(262)	(258)	(250)	(246)	(224)	(214)	-	(214)
23 Net Reg Asset/Liab Amort (****)	24	58	53	84	92	313	485	11	496
24 Net Depreciation Expense	21,387	22,258	23,140	24,284	25,000	25,638	28,872	(859)	28,011

(*) Source: MECO-WP-1201

(**) Source: MECO-WP-1204

(***) Source: MECO-1303

(****) Source: MECO-1306. As noted in MECO-1306, the division allocation for the amortization of the Federal ITC regulatory asset is incorrect and will be corrected at the next available opportunity.

Maui Electric Company, Limited
Accumulated Depreciation
For Years 2001-2007

(In Thousands)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Test Yr Est 2007	June 2007 Adjustment	Revised 2007
MAUI									
1 Accum Deprn @ 1/1	182,641	202,583	220,772	241,006	262,319	286,075	310,195	656	310,851
2 Depreciation Accrual (*)	20,793	21,715	22,701	24,158	24,836	25,606	29,167	(908)	28,259
3 Retirements (**)	(855)	(699)	(1,241)	(1,987)	(357)	(559)	(1,018)	(251)	(1,269)
4 Salvage (**)	4	50	71	107	54	126	54	35	89
5 Cost of Removal	-	(2,853)	(1,280)	(965)	(777)	(1,031)	(1,232)	-	(1,232)
6 Transfers/Other	-	(24)	(17)	-	-	635	-	-	-
7 Accum Deprn @ 12/31	202,583	220,772	241,006	262,319	286,075	310,851	337,166	(468)	336,698
Rate Case Adjustment:									
8 None									
9 Adj Accum Deprn @ 12/31	202,583	220,772	241,006	262,319	286,075	310,851	337,166	(468)	336,698
10 Average Balance									323,775

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Test Yr Est 2007	June 2007 Adjustment	Revised 2007
LANAI									
11 Accum Deprn @ 1/1	6,959	8,108	9,284	10,389	11,526	12,630	13,913	(30)	13,883
12 Depreciation Accrual (*)	1,174	1,188	1,206	1,243	1,283	1,343	1,344	15	1,359
13 Retirements (**)	(25)	(20)	(102)	(40)	(1)	(0)	(6)	5	(1)
14 Salvage (**)	-	-	-	9	-	-	-	-	-
15 Cost of Removal	-	(7)	-	(74)	(177)	(89)	(54)	-	(54)
16 Transfers/Other	-	15	1	-	-	-	-	-	-
17 Accum Deprn @ 12/31	8,108	9,284	10,389	11,527	12,630	13,883	15,198	(10)	15,187
Rate Case Adjustment:									
18 Accum Depn Lanai City PP	(240)	(240)	(240)	(240)	(240)	(240)	(240)	-	(240)
19 Adj Accum Deprn @ 12/31	7,868	9,044	10,149	11,287	12,390	13,643	14,958	(10)	14,947
20 Average Balance									14,295

(*) Source: MECO-WP-1201
(**) Source: MECO-WP-1205

Maui Electric Company, Limited
Accumulated Depreciation
For Years 2001-2007

(In Thousands)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Test Yr Est 2007	June 2007 Adjustment	Revised 2007
MOLOKAI									
1 Accum Depn @ 1/1	7,591	8,994	10,452	11,707	12,991	14,407	15,793	(10)	15,783
2 Depreciation Accrual (*)	1,404	1,450	1,450	1,434	1,454	1,436	1,208	84	1,292
3 Retirements (**)	(1)	-	(137)	(91)	(1)	(0)	(44)	-	(44)
4 Salvage (**)	-	-	-	5	15	-	4	-	4
5 Cost of Removal	-	(1)	(74)	(65)	(52)	(60)	(40)	-	(40)
6 Transfers/Other	-	9	16	-	-	-	-	-	-
7 Accum Depn @ 12/31	8,994	10,452	11,707	12,990	14,407	15,783	16,921	74	16,995
Rate Case Adjustment:									
8 None									
9 Adj Accum Depn @ 12/31	8,994	10,452	11,707	12,990	14,407	15,783	16,921	74	16,995
10 Average Balance									16,389

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Test Yr Est 2007	June 2007 Adjustment	Revised 2007
TOTAL MECO									
11 Accum Depn @ 1/1	197,191	219,685	240,508	263,102	286,836	313,112	339,902	616	340,517
12 Depreciation Accrual (*)	23,371	24,353	25,357	26,835	27,573	28,385	31,719	(809)	30,910
13 Retirements (**)	(881)	(719)	(1,480)	(2,118)	(359)	(559)	(1,068)	(246)	(1,314)
14 Salvage (**)	4	50	71	121	69	126	58	35	93
15 Cost of Removal (***)	-	(2,861)	(1,354)	(1,104)	(1,006)	(1,180)	(1,326)	-	(1,326)
16 Transfers/Other	-	-	-	-	-	635	-	-	-
17 Accum Depn @ 12/31	219,685	240,508	263,102	286,836	313,112	340,517	369,285	(404)	368,880
Rate Case Adjustment:									
18 Accum Depn Lanai City PP	(240)	(240)	(240)	(240)	(240)	(240)	(240)	-	(240)
19 Adj Accum Depn @ 12/31	219,445	240,268	262,862	286,596	312,872	340,277	369,045	(404)	368,640
20 Average Balance									354,459

(*) Source: MECO-WP-1201
(**) Source: MECO-WP-1205
(***) Source: MECO-WP-1206

Maul Electric Company, Limited
Estimated Book Depreciation
For Years 2006-2007

(In Thousands)

Functional Group	(*) Utility Plant Bal @ 1/1/06 (Actual)	Composite Book Deprn Rate (Current)	2006 Depreciation Accrual (Actual)	(*) Utility Plant Bal @ 1/1/07 (Estimated)	2007 Composite Book Deprn Rate (Estimated)	2007 Depreciation Accrual (Estimated)	(*) Utility Plant Bal @ 1/1/07 (Actual)	2007 Composite Book Deprn Rate (Revised)	2007 Depreciation Accrual (Revised)
MAUI									
Production	233,891	4.00%	9,355	294,526	4.01%	11,807	293,024	3.70%	10,853
Transmission	90,076	3.37%	3,033	94,217	3.37%	3,175	95,089	3.36%	3,193
Distribution	230,702	4.60%	10,613	250,171	4.60%	11,508	249,824	4.58%	11,442
General	32,753	6.01%	1,968	34,849	5.92%	2,063	35,930	5.91%	2,125
Vehicles	8,072	7.89%	637	7,776	7.90%	614	8,086	7.99%	646
Subtotal	595,494	4.30%	25,606	681,539	4.28%	29,167	681,953	4.14%	28,259
Franchise/consents	1	0.00%	-	1	0.00%	-	1	0.00%	-
Land - Production	524	0.00%	-	524	0.00%	-	524	0.00%	-
Land - Transmission	388	0.00%	-	388	0.00%	-	388	0.00%	-
Land - Distribution	235	0.00%	-	268	0.00%	-	265	0.00%	-
Land - General	59	0.00%	-	59	0.00%	-	59	0.00%	-
Fully Depreciated - Production	19,530	0.00%	-	21,861	0.00%	-	21,492	0.00%	-
Fully Depreciated - General	343	0.00%	-	343	0.00%	-	12	0.00%	-
Utility Plant in Service	616,574	4.15%	25,606	704,983	4.14%	29,167	704,693	4.01%	28,259

(*) Source: MECO-WP-1203

Maui Electric Company, Limited
Estimated Book Depreciation
For Years 2006-2007

(In Thousands)

Functional Group	(*) Utility Plant Bal @ 1/1/06 (Actual)	Composite Book Deprn Rate (Current)	2006 Depreciation Accrual (Actual)	(*) Utility Plant Bal @ 1/1/07 (Estimated)	2007 Composite Book Deprn Rate (Estimated)	2007 Depreciation Accrual (Estimated)	(*) Utility Plant Bal @ 1/1/07 (Actual)	2007 Composite Book Deprn Rate (Revised)	2007 Depreciation Accrual (Revised)
LANAI									
Production	17,081	4.54%	775	17,123	4.54%	777	17,149	4.54%	778
Transmission	-	0.00%	-	-	0.00%	-	-	n/a	-
Distribution	10,419	4.55%	474	10,414	4.55%	474	10,590	4.54%	481
General	1,097	5.47%	60	1,064	5.55%	59	1,158	5.70%	66
Vehicles	435	7.82%	34	435	7.82%	34	435	7.82%	34
Subtotal	29,032	4.63%	1,343	29,036	4.63%	1,344	29,332	4.63%	1,359
Franchise/consents	-	0.00%	-	-	0.00%	-	-	0.00%	-
Land - Production	220	0.00%	-	220	0.00%	-	220	0.00%	-
Land - Transmission	-	0.00%	-	-	0.00%	-	-	0.00%	-
Land - Distribution	-	0.00%	-	-	0.00%	-	-	0.00%	-
Land - General	23	0.00%	-	23	0.00%	-	23	0.00%	-
Fully Depreciated - Production	225	0.00%	-	225	0.00%	-	225	0.00%	-
Fully Depreciated - General	-	0.00%	-	33	0.00%	-	33	0.00%	-
Utility Plant in Service	29,500	4.55%	1,343	29,537	4.55%	1,344	29,834	4.56%	1,359
Ratemaking Adjustments: Lanai City Power Plant	(240)	n/a	-	(240)	n/a	-	(240)	n/a	n/a
Ratemaking Utility Plant-in-Svc	29,260	4.59%	1,343	29,297	4.59%	1,344	29,594	4.59%	1,359

(*) Source: MECO-WP-1203

Maui Electric Company, Limited
Estimated Book Depreciation
For Years 2006-2007

(In Thousands)

Functional Group	(*) Utility Plant Bal @ 1/1/06 (Actual)	Composite Book Deprn Rate (Current)	2006 Depreciation Accrual (Actual)	(*) Utility Plant Bal @ 1/1/07 (Estimated)	2007 Composite Book Deprn Rate (Estimated)	2007 Depreciation Accrual (Estimated)	(*) Utility Plant Bal @ 1/1/07 (Actual)	2007 Composite Book Deprn Rate (Revised)	2007 Depreciation Accrual (Revised)
<u>MOLOKAI</u>									
Production	19,983	4.48%	895	20,035	3.49%	699	20,011	3.85%	771
Transmission	704	3.27%	23	704	3.27%	23	704	3.27%	23
Distribution	10,837	3.48%	377	10,834	3.48%	377	11,094	3.49%	387
General	1,284	4.13%	53	1,276	4.08%	52	1,346	4.09%	55
Vehicles	880	9.89%	87	627	8.93%	56	627	8.93%	56
Subtotal	33,688	4.26%	1,435	33,476	3.61%	1,207	33,782	3.82%	1,292
Franchise/consents	1	0.00%	-	1	0.00%	-	1	0.00%	-
Land - Production	235	0.00%	-	235	0.00%	-	235	0.00%	-
Land - Transmission	-	0.00%	-	-	0.00%	-	-	0.00%	-
Land - Distribution	-	0.00%	-	-	0.00%	-	-	0.00%	-
Land - General	-	0.00%	-	-	0.00%	-	-	0.00%	-
Fully Depreciated - Production	-	0.00%	-	-	0.00%	-	-	0.00%	-
Fully Depreciated - Transmission	117	0.00%	-	117	0.00%	-	117	0.00%	-
Fully Depreciated - General	99	0.00%	-	99	0.00%	-	99	0.00%	-
Fully Depreciated - Vehicles	-	0.00%	-	253	0.00%	-	253	0.00%	-
Utility Plant in Service	34,140	4.20%	1,435	34,181	3.53%	1,207	34,488	3.75%	1,292

(*) Source: MECO-WP-1203

Maul Electric Company, Limited
Estimated Book Depreciation
For Years 2006-2007

(In Thousands)

Functional Group	(*) Utility Plant Bal @ 1/1/06 (Actual)	Composite Book Deprn Rate (Current)	2006 Depreciation Accrual (Actual)	(*) Utility Plant Bal @ 1/1/07 (Estimated)	2007 Composite Book Deprn Rate (Estimated)	2007 Depreciation Accrual (Estimated)	(*) Utility Plant Bal @ 1/1/07 (Actual)	2007 Composite Book Deprn Rate (Revised)	2007 Depreciation Accrual (Revised)
TOTAL MECO									
Production	270,955	4.07%	11,025	331,684	4.00%	13,283	330,185	3.76%	12,402
Transmission	90,780	3.37%	3,056	94,921	3.37%	3,198	95,793	3.36%	3,216
Distribution	251,958	4.55%	11,464	271,419	4.55%	12,359	271,508	4.53%	12,310
General	35,134	5.92%	2,081	37,189	5.85%	2,174	38,434	5.84%	2,246
Vehicles	9,387	8.07%	758	8,838	7.97%	704	9,148	8.05%	736
Subtotal	658,214	4.31%	28,384	744,051	4.26%	31,718	745,067	4.15%	30,910
Franchise/consents	2	0.00%	-	2	0.00%	-	2	0.00%	-
Land - Production	979	0.00%	-	980	0.00%	-	980	0.00%	-
Land - Transmission	388	0.00%	-	388	0.00%	-	388	0.00%	-
Land - Distribution	235	0.00%	-	268	0.00%	-	265	0.00%	-
Land - General	82	0.00%	-	82	0.00%	-	82	0.00%	-
Fully Depreciated - Production	19,755	0.00%	-	22,086	0.00%	-	21,717	0.00%	-
Fully Depreciated - Transmissior	117	0.00%	-	117	0.00%	-	117	0.00%	-
Fully Depreciated - General	442	0.00%	-	475	0.00%	-	144	0.00%	-
Fully Depreciated - Vehicles	-	0.00%	-	253	0.00%	-	253	0.00%	-
Utility Plant in Service	680,214	4.17%	28,384	768,701	4.13%	31,718	769,014	4.02%	30,910
Ratemaking Adjustments:									
Lanai City Power Plant	(240)	n/a	-	(240)	n/a	-	(240)	n/a	n/a
Ratemaking Utility Plant-in-Svc	<u>679,974</u>	4.17%	<u>28,384</u>	<u>768,461</u>	4.13%	<u>31,718</u>	<u>768,774</u>	4.02%	<u>30,910</u>

(*) Source: MECO-WP-1203

Maui Electric Company, Limited
Estimated Utility Plant-in-Service
For Years 2006-2007

(In Thousands)

Functional Group	Plant Bal @ 1/1/06 (Actual)	2006 Additions (Actual)	2006 Retirements (Actual)	2006 Fully Depr'd (Actual)	Plant Bal @ 12/31/06 (Actual)
<u>MAUI</u>					
Production	233,891	61,095	-	(1,962)	293,024
Transmission	90,076	5,057	(45)	-	95,089
Distribution	230,702	19,617	(495)	-	249,824
General	32,753	2,861	(16)	331	35,930
Vehicles	8,072	14	-	-	8,086
Subtotal	595,494	88,644	(555)	(1,631)	681,952
Franchise/consents	1				1
Land - Production	524				524
Land - Transmission	388				388
Land - Distribution	235	33	(4)		265
Land - General	59				59
Fully Depreciated - Production	19,530			1,962	21,492
Fully Depreciated - General	343			(331)	12
Utility Plant in Service	616,574	88,677	(559)	-	704,693
Ratemaking Adjustments: None					-
Ratemaking Utility Plant-in-Svc	616,574	88,677	(559)	-	704,693

Maui Electric Company, Limited
Estimated Utility Plant-in-Service
For Years 2006-2007

(In Thousands)

Functional Group	Plant Bal @ 1/1/06 (Actual)	2006 Additions (Actual)	2006 Retirements (Actual)	2006 Fully Depr'd (Actual)	Plant Bal @ 12/31/06 (Actual)
<u>LANAI</u>					
Production	17,081	68	-	-	17,149
Transmission	-	-	-	-	-
Distribution	10,419	171	-	-	10,590
General	1,097	94	-	(33)	1,158
Vehicles	435	-	-	-	435
Subtotal	29,032	333	-	(33)	29,332
Franchise/consents	-				-
Land - Production	220				220
Land - Transmission	-				-
Land - Distribution	-				-
Land - General	23				23
Fully Depreciated - Production	225				225
Fully Depreciated - General	-			33	33
Utility Plant in Service	29,500	333	-	-	29,834
Ratemaking Adjustments:					
Lanai City Power Plant	(240)				(240)
Ratemaking Utility Plant-in-Svc	29,260	333	-	-	29,594

Maui Electric Company, Limited
Estimated Utility Plant-in-Service
For Years 2006-2007

(In Thousands)

Functional Group	Plant Bal @ 1/1/06 (Actual)	2006 Additions (Actual)	2006 Retirements (Actual)	2006 Fully Depr'd (Actual)	Plant Bal @ 12/31/06 (Actual)
<u>MOLOKAI</u>					
Production	19,983	28	-		20,011
Transmission	704	-	-		704
Distribution	10,837	257	-		11,094
General	1,284	62	-		1,346
Vehicles	880	-	-	(253)	627
Subtotal	33,688	347	-	(253)	33,782
Franchise/consents	1				1
Land - Production	235				235
Land - Transmission	-				-
Land - Distribution	-				-
Land - General	-				-
Fully Depreciated - Production	-				-
Fully Depreciated - Transmission	117				117
Fully Depreciated - General	99				99
Fully Depreciated - Vehicles	-			253	253
Utility Plant in Service	34,140	347	-	-	34,488
Ratemaking Adjustments: None					-
Ratemaking Utility Plant-in-Svc	34,140	347	-		34,488

Maui Electric Company, Limited
Estimated Utility Plant-in-Service
For Years 2006-2007

(In Thousands)

Functional Group	Plant Bal @ 1/1/06 (Actual)	2006 Additions (Actual)	2006 Retirements (Actual)	2006 Fully Depr'd (Actual)	Plant Bal @ 12/31/06 (Actual)
<u>TOTAL MECO</u>					
Production	270,955	61,192	-	(1,962)	330,185
Transmission	90,780	5,057	(45)	-	95,793
Distribution	251,958	20,045	(495)	-	271,508
General	35,134	3,017	(16)	298	38,434
Vehicles	9,387	14	-	(253)	9,148
Subtotal	658,214	89,326	(555)	(1,917)	745,067
Franchise/consents	2	-	-	-	2
Land - Production	980	-	-	-	980
Land - Transmission	388	-	-	-	388
Land - Distribution	235	33	(4)	-	265
Land - General	82	-	-	-	82
Fully Depreciated - Production	19,755	-	-	1,962	21,717
Fully Depreciated - Transmission	117	-	-	-	117
Fully Depreciated - General	442	-	-	(298)	144
Fully Depreciated - Vehicles	-	-	-	253	253
Utility Plant in Service	680,215	89,358	(559)	-	769,014
Ratemaking Adjustments: Lanai City Power Plant	(240)	-	-	-	(240)
Ratemaking Utility Plant-in-Svc	679,975	89,358	(559)	-	768,774

Maui Electric Company, Limited
Estimated Utility Plant-in-Service
For Years 2006-2007

(In Thousands)

Functional Group	Plant Bal @ 1/1/07 (Actual)	2007 Additions (Estimated)	2007 Retirements (Estimated)	Plant Bal @ 12/31/07 (Estimated)
<u>MAUI</u>				
Production	293,024	7,287	(22)	300,289
Transmission	95,089	5,510	(79)	10,519
Distribution	249,824	23,064	(446)	272,442
General	35,930	882	(106)	36,706
Vehicles	8,086	364	(616)	7,835
Subtotal	681,953	37,106	(1,269)	627,790
Franchise/consents	1			1
Land - Production	524			524
Land - Transmission	388			388
Land - Distribution	265			265
Land - General	59			59
Fully Depreciated - Production	21,492			21,492
Fully Depreciated - General	12			12
Utility Plant in Service	704,693	37,106	(1,269)	650,530
Ratemaking Adjustments: None	-			-
Ratemaking Utility Plant-in-Svc	704,693	37,106	(1,269)	650,530

Maui Electric Company, Limited
Estimated Utility Plant-in-Service
For Years 2006-2007

(In Thousands)

Functional Group	Plant Bal @ 1/1/07 (Actual)	2007 Additions (Estimated)	2007 Retirements (Estimated)	Plant Bal @ 12/31/07 (Estimated)
<u>LANAI</u>				
Production	17,149	108	-	17,257
Transmission	-	-	-	-
Distribution	10,590	143	(1)	10,732
General	1,158	53	-	1,211
Vehicles	435	-	-	435
Subtotal	29,332	304	(1)	29,635
Franchise/consents	-			-
Land - Production	220			220
Land - Transmission	-			-
Land - Distribution	-			-
Land - General	23			23
Fully Depreciated - Production	225			225
Fully Depreciated - General	33			33
Utility Plant in Service	29,834	304	(1)	30,136
Ratemaking Adjustments:				
Lanai City Power Plant	(240)			(240)
Ratemaking Utility Plant-in-Svc	29,594	304	(1)	29,896

Maui Electric Company, Limited
Estimated Utility Plant-in-Service
For Years 2006-2007

(In Thousands)

Functional Group	Plant Bal @ 1/1/07 (Actual)	2007 Additions (Estimated)	2007 Retirements (Estimated)	Plant Bal @ 12/31/07 (Estimated)
<u>MOLOKAI</u>				
Production	20,011	19	-	20,031
Transmission	704	71	-	775
Distribution	11,094	5	(7)	11,092
General	1,346	-	(4)	1,342
Vehicles	627	-	(33)	594
Subtotal	33,782	95	(44)	33,833
Franchise/consents	1			1
Land - Production	235			235
Land - Transmission	-			-
Land - Distribution	-			-
Land - General	-			-
Fully Depreciated - Production	-			-
Fully Depreciated - Transmission	117			117
Fully Depreciated - General	99			99
Fully Depreciated - Vehicles	253			253
Utility Plant in Service	34,488	95	(44)	34,538
Ratemaking Adjustments:				
None	-			-
Ratemaking Utility Plant-in-Svc	34,488	95	(44)	34,538

Maui Electric Company, Limited
Estimated Utility Plant-in-Service
For Years 2006-2007

(In Thousands)

Functional Group	Plant Bal @ 1/1/07 (Actual)	2007 Additions (Estimated)	2007 Retirements (Estimated)	Plant Bal @ 12/31/07 (Estimated)
<u>TOTAL MECO</u>				
Production	330,185	7,414	(22)	337,578
Transmission	95,793	5,580	(79)	101,294
Distribution	271,508	23,212	(454)	294,266
General	38,434	935	(110)	39,259
Vehicles	9,148	364	(649)	8,864
Subtotal	745,067	37,505	(1,314)	781,258
Franchise/consents	2	-	-	2
Land - Production	980	-	-	980
Land - Transmission	388	-	-	388
Land - Distribution	265	-	-	265
Land - General	82	-	-	82
Fully Depreciated - Production	21,717	-	-	21,717
Fully Depreciated - Transmission	117	-	-	117
Fully Depreciated - General	144	-	-	144
Fully Depreciated - Vehicles	253	-	-	253
Utility Plant in Service	769,014	37,505	(1,314)	805,205
Ratemaking Adjustments:				
Lanai City Power Plant	(240)	-	-	(240)
Ratemaking Utility Plant-in-Svc	768,774	37,505	(1,314)	804,965

Maui Electric Company, Limited
Amortization of CIAC
Test Year 2007
(\$ in Thousands)

			Test Year Estimate 2007	June 2007 Adjustment	Revised 2007
	Recorded 2005	Recorded 2006			
Maui Division					
Amortization of pre-2005 vintages	1,614	1,605	1,596	-	1,596
<u>Amortization of 2005 Vintage</u>	<u>Actual 2005</u>				
Receipts	6,494				
Plus: Transfers from Cust Adv	1,237				
Base for Amortization	7,730				
Divided by 30	30				
Subtotal	258	258	258	-	258
<u>Amortization of 2006 Vintage</u>	<u>Est 2006</u>	<u>Actual 2006</u>			
Receipts	9,626	10,416			
Plus: Transfers from Cust Adv	119	344			
Base for Amortization	9,744	10,761			
Divided by 30	30	30			
Subtotal	325	359	325	34	359
Annual Amortization of CIAC	1,863	2,178	34	2,212	
Lanai Division					
Amortization of pre-2005 vintages	70	70	70	-	70
<u>Amortization of 2005 Vintage</u>	<u>Actual 2005</u>				
Receipts	45				
Plus: Transfers from Cust Adv	404				
Base for Amortization	449				
Divided by 30	30				
Subtotal	15	15	15	-	15
<u>Amortization of 2006 Vintage</u>	<u>Est 2006</u>	<u>Actual 2006</u>			
Receipts	37	63			
Plus: Transfers from Cust Adv	51	39			
Base for Amortization	88	103			
Divided by 30	30	30			
Subtotal	3	3	3	-	3
Annual Amortization of CIAC	85	88	-	88	

Maui Electric Company, Limited
Amortization of CIAC
Test Year 2007
(\$ in Thousands)

			Recorded 2005	Recorded 2006	Test Year Estimate 2007	June 2007 Adjustment	Revised 2007
Molokai Division							
Amortization of pre-2005 vintages			67	67	67	-	67
<u>Amortization of 2005 Vintage</u>	<u>Actual 2005</u>						
Receipts	29						
Plus: Transfers from Cust Adv	1,822						
Base for Amortization	1,851						
Divided by 30	30						
Subtotal	62			62	62	-	62
<u>Amortization of 2006 Vintage</u>	<u>Est 2006</u>	<u>Actual 2006</u>					
Receipts	20	1					
Plus: Transfers from Cust Adv	592	492					
Base for Amortization	612	493					
Divided by 30	30	30					
Subtotal	20	16			20	(4)	16
Annual Amortization of CIAC			129	149	149	(4)	145
MECO Consolidated							
Amortization of pre-2005 vintages			1,752	1,742	1,733	-	1,733
<u>Amortization of 2005 Vintage</u>	<u>Actual 2005</u>						
Receipts	6,568						
Plus: Transfers from Cust Adv	3,463						
Base for Amortization	10,031						
Divided by 30	30						
Subtotal	334			334	334	-	334
<u>Amortization of 2006 Vintage</u>	<u>Est 2006</u>	<u>Actual 2006</u>					
Receipts	9,682	10,481					
Plus: Transfers from Cust Adv	761	876					
Base for Amortization	10,444	11,356					
Divided by 30	30	30					
Subtotal	348	379			348	30	379
Annual Amortization of CIAC			2,077	2,415	2,415	30	2,446

Maui Electric Company, Ltd.
Plant Retirements and Gross Salvage Value
Test Year 2007

	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	5-Year Average	Total MECO 2007 TY Estimate	June 2007 Adjustment	Revised 2007	2007 TY Maui	2007 TY Lanai	2007 TY Molokai
Retirements (*)												
Production	1,588	107,162	-	966	-	21,943	22,067	(124)	21,943	21,943	-	-
Transmission	-	106,756	237,374	6,247	44,881	79,051	71,540	7,511	79,051	79,015	-	36
Distribution	116,618	607,592	771,233	276,668	498,842	454,191	506,125	(51,934)	454,191	446,044	1,129	7,018
General Plant	209,714	106,713	141,746	74,934	15,592	109,740	129,525	(19,785)	109,740	105,820	-	3,920
Vehicles (**)	390,495	552,584	968,126	-	-	382,241	338,462	310,267	648,729	616,069	-	32,660
Total	718,415	1,480,806	2,118,478	358,815	559,315	1,047,166	1,067,719	245,935	1,313,654	1,268,891	1,129	43,634

	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	5-Year Average	Salvage as % of Retirements	Total MECO 2007 TY Estimate	June 2007 Adjustment	Revised 2007	2007 TY Maui	2007 TY Lanai	2007 TY Molokai
Gross Salvage													
Production	1,181	-	-	3,712	-	979	4.5%	483	496	979	979	-	-
Transmission	-	-	-	-	6,780	-	0.0%	-	-	-	-	-	-
Distribution	10,780	4,108	2,616	44,363	100,202	12,373	2.7%	13,773	(1,399)	12,373	12,151	31	191
General Plant	-	333	18,000	-	-	3,667	3.3%	3,667	-	3,667	3,536	-	131
Vehicles (**)	38,484	66,495	99,950	21,000	18,596	45,186	11.8%	40,010	36,677	76,688	72,827	-	3,861
Total	50,445	70,937	120,566	69,075	125,578	62,204		57,933	35,774	93,707	89,493	31	4,183

(*) Source MECO-1404A

(**) The 2007 TY Estimate for vehicles is based on specific projected vehicle retirements.